

Nor do increases in basic schedule rates, see *MacAvoy Aff.*, ¶¶ 16, 42, reflect anticompetitive behavior. Under the many flat rate plans offered by major IXCs, even low volume customers need not pay basic rates, and prices for low-volume customers have in fact declined in real terms since divestiture. See supra pp. 46-47. Moreover, increases in basic rates have occurred for competitively benign reasons. Because regulation has kept rates below cost for low-volume customers, AT&T has raised those rates when permitted to do so, and its competitors have followed suit presumably to avoid attracting low-volume, high-cost customers themselves. *Bernheim/Ordovery/Willig*, ¶¶ 120, 185. The measure of competition is not at the low-volume end of the market, where regulation has artificially depressed prices, but at the middle and high-volume end, where rates can reflect costs and carriers compete aggressively on price and quality to win customers. Ameritech never even attempts to explain why, if long-distance carriers can successfully collude, they have offered discounts to high-volume customers who provide the most revenue -- or why, if these carriers can collude on price, they do not collude on non-price matters and instead choose to "waste" enormous sums on advertising and other marketing expenditures. *Pitsch Aff.*, ¶¶ 7, 20.

Nor does Ameritech adequately explain (*Br.*, p. 69) why it would make "aggressive efforts to service the entire [long-distance] customer base," including low volume callers who are "not the principal targets of long distance carriers." Although Ameritech maintains that its incremental costs of serving low-volume customers who are already local exchange customers will be low, see Harris/Teece Aff., pp. 98-99, it offers no plausible reason why it would choose to target the least profitable section of the long distance market.

Also unfounded is Ameritech's argument that SNET's entry into the long distance market illustrates the positive competitive impact of BOC entry into interexchange markets. To the

contrary, SNET's long distance prices are no lower than the major IXCs' nationwide rates. SNET's interexchange rates vary from 23 cents during the day to 13 cents at night, and only provide small discounts for high volumes. In comparison, AT&T One Rate and Sprint Sense Day Plan offer a flat rate of 15 cents a minute to all customers, at all times, regardless of calling volume. Sprint also offers a flat rate of 10 cents a minute for domestic calls between 7 P.M. and 7 A.M., and 25 cents per minute for other domestic calls. MCI offers a flat rate of 12 cents at all times to customers who make over \$25.00 a month in calls. Plainly, these statistics reveal no obvious consumer benefits flowing from SNET's entry into the interexchange market. Bernheim/Ordoover/Willig Aff., ¶ 252.

Ameritech's claim that it will spur competition by underpricing existing long-distance carriers is thus implausible in the extreme, for prices are already at competitive levels and Ameritech can achieve no cost advantages except through discrimination, cross-subsidies, and price squeezes. Indeed, the BOCs' claims of future lower prices have consistently been contradicted by the prices they actually charge once entry is permitted.

For example, Ameritech and the other BOCs made extravagant claims in 1992 about the price savings consumers would enjoy if BOCs were permitted to provide long distance service to cellular customers. They claimed that consumers would save an estimated \$400 million a year -- and based this upon a projection that BOCs would charge cellular customers about 10 cents a minute.²⁷ Reality has fallen far short of projections. Ameritech today provides such service under the Act -- and it offers a flat rate of \$ 0.24 per minute, in addition to airtime

²⁷ United States v. Western Elec. Co., No. 82-0192 (D.D.C.), Reply of the Bell Companies In Support of their Motion for Removal of Mobile and other Wireless Services From the Scope of the Interexchange Restriction, Affidavit of R.B. Higgins and J.C. Miller III, ¶¶ 20, 30 n.5 (Aug. 3, 1992).

charges, with discounts that could lower the rate for high volume users to \$0.16 to \$0.18 a minute.

It is thus far more likely that Ameritech's entry will comport with the expectations of Pacific Telesis. Internal and proprietary documents of Pacific Telesis candidly acknowledge that "[l]ong distance is one of the most competitive businesses in America," and that Pacific Telesis' own costs in long distance would be significantly higher than AT&T's.²⁸ As a result, Pacific Telesis' own witness has admitted that Pacific Telesis does not appear "headed for the Price Club segment of the market" and will instead be at the "Nordstrom's end of the market."²⁹

CONCLUSION

For these reasons and those set forth in the accompanying affidavits, Ameritech's application should be denied.

²⁸ The documents remain confidential and proprietary to Pacific Telesis. These excerpts were made part of the public record in the state regulatory proceeding concerning certification of Pacific Telesis' affiliate as an interLATA carrier in California. See California Public Utilities Commission Proceeding, Application 96-03-007, Tr. Vol. 4, pp. 494, 496, 503-04.

²⁹ Id. Tr. Vol. 10, p. 1272.

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**APPENDIX TO COMMENTS OF AT&T CORP.
IN OPPOSITION TO AMERITECH'S
SECTION 271 APPLICATION**

TAB	AFFIDAVIT	SUBJECT(S) COVERED
A	Steven R. Allen and Dean A. Gropper	Ameritech's Ability to Discriminate Against IXCs and CLECs
B	William J. Baumol	Public Interest
C	B. Douglas Bernheim Janusz A. Ordover Robert D. Willig	Public Interest
D	Robert H. Bork	Public Interest
E	Susan L. Z. Bryant	Operations Support Systems
F	Timothy M. Connolly	Operations Support Systems
G	Nicholas S. Economides and John W. Mayo	Public Interest
H	Judith D. Evans	Interim Number Portability
I	Robert V. Falcone and Maureen E. Gerson	Unbundled Network Elements-Platforms
J	Robert V. Falcone and Robert A. Sherry	Unbundled Network Elements
K	James F. Henson	Pricing
L	R. Glenn Hubbard and William H. Lehr	Public Interest
M	Rhonda J. Johnson	Implementation
N	William G. Lester	Poles, Ducts, Conduits, Rights-of-Way
O	Lila K. McClelland and Douglas K. Goodrich	Separate Subsidiary Requirements
P	Jane Medlin	AT&T Market Entry
Q	C. Michael Pfau	Nondiscriminatory Access to Operations Support Systems
R	Peter K. Pitsch	Public Interest
S	John J. Puljung	Ameritech's Response to Competition
T	Michael Starkey	Local Competition